

PUBLIC DISCLOSURE

SEPTEMBER 10, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

PENTUCKET BANK

90208

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Division of Banks

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Federal Deposit Insurance Corporation

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NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area. This document is an evaluation of the CRA performance of **Pentucket Bank (the “Bank”)**, prepared by the Division and FDIC, the institution's supervisory agencies.

INSTITUTION'S CRA RATING:

This institution is rated “High Satisfactory” by the Division and “Satisfactory” by the FDIC. Please note that the FDIC’s rating matrix does not provide for a “High Satisfactory” rating.

The assigned rating is based on the results of the two performance tests utilized under Intermediate Small Bank (“ISB”) CRA procedures: the Lending Test and the Community Development Test. The Bank’s performance under each of these two tests is summarized as follows:

Lending Test: The Lending Test is rated “High Satisfactory” by the Division and “Satisfactory” by the FDIC. Again, the FDIC rating matrix does not provide for a “High Satisfactory” rating.

Loan-to-Deposit Ratio – Pentucket Bank’s average net loan-to-deposit (LTD) ratio is 83.2 percent, and is deemed reasonable given the institution’s size and assessment area credit needs. For the 14 quarters reviewed, the Bank’s LTD ratio remained relatively stable. As of June 30, 2012, the Bank’s ratio was 78.6 percent. Given the recent downturn in the economy and the Bank’s deposit growth, the LTD ratio is reasonable.

Assessment Area Concentration – A majority of the Bank’s home mortgage and small business loans was made within the assessment area. During the review period, the Bank originated 74.5 percent of its residential loans and 78.7 percent of its small business loans inside the assessment area. Overall, approximately 75.6 percent of the Bank’s loans were originated inside the assessment area. A review of the Bank’s 2010 residential market rank revealed that Pentucket Bank ranked 15th out of 336 lenders. Each of the 14 lenders ahead of Pentucket Bank was either a large national bank or large national mortgage company. The Bank was the top local lender in the assessment area.

Borrower Characteristics – Overall, the Bank displayed good penetration to borrowers of different incomes and businesses of different sizes. Individually, the Bank demonstrated excellent penetration to low- and moderate-income borrowers, and exceeded the 2010 aggregate to both low- and moderate-income borrowers. The Bank demonstrated reasonable penetration to area’s small businesses. The Bank’s small business loan percentages in 2010 and 2011 were reasonable, but below the percentage of businesses operating in the assessment area.

Geographic Distribution – Overall, the Bank displayed excellent dispersion of home mortgage and small business loans within the assessment area, with emphasis on the area’s moderate-income tracts. There are no low-income tracts in the area. The Bank exceeded the aggregate percentage within the moderate-income tracts (in 2010) for residential loans and also exceeded the percentage of businesses operating in the moderate-income tracts in 2010 and 2011.

Response to CRA Complaints – The Bank did not receive any CRA-related complaints during the evaluation period.

Community Development Test: The Community Development Test is rated “Satisfactory” by the Division and the FDIC.

Pentucket Bank originated five community development loans (CDLs) totaling approximately \$5.85 million since the previous examination, dated March 23, 2009. The CDLs represent approximately 0.19 percent of total assets and 0.28 percent of total loans. Overall, the Bank’s level of CDLs is adequate.

The Bank had approximately \$352,745 in new qualified investments and donations. This dollar amount includes equity investments of approximately \$262,000 and qualified donations and grants of \$90,745. Additionally, the Bank continues to hold a \$1.5 million qualified investment from a previous examination. Total qualified equity investments represent approximately 1.1 percent of the Bank’s total securities portfolio, as of June 30, 2012. During the prior evaluation period, the Bank had approximately \$2.3 million in qualified investments and donations in its assessment area.

Through the efforts of its employees, senior management, and members of the Board, Pentucket Bank is active throughout its assessment area in community development organizations that assist low- and moderate-income individuals and families, and small businesses. The Bank also actively participates in various financial education initiatives.

SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and the FDIC. ISB CRA procedures were used to assess the Bank’s performance. The Division and the FDIC last evaluated the Bank’s CRA performance as of March 23, 2009, affording a “High Satisfactory” rating by the Division and a “Satisfactory” rating by the FDIC.

ISB procedures utilize two performance tests: a Lending Test and a Community Development Test. The current Lending Test included an analysis of the Bank’s home mortgage and small business loans from January 1, 2010 through December 31, 2011. Information concerning home mortgage lending was derived from the loan application registers (“LARs”) maintained by the Bank, pursuant to the Home Mortgage Disclosure Act (“HMDA”). The LARs contain data about home purchase and home improvement loans, including refinances for 1-4 family and multi-family (five or more units) properties.

Discussions with management revealed the Bank is placing greater emphasis, of late, on commercial loans. However, for purposes of this evaluation, equal weight will be given to the residential and small business loan portfolios. Further, since the Bank’s volume of consumer and small farm loans represented only a small percentage of the Bank’s loan portfolio, neither loan category was considered in this analysis.

Home mortgage lending for 2010 was compared to aggregate lending data. Aggregate data consists of all HMDA reporters originating at least one loan in the Bank's assessment area. Information concerning the Bank's 2010 and 2011 small business lending was derived from internal Bank reports. Since the Bank, as an ISB, is not required to report its small business loans, the Bank's small business lending performance was compared to pertinent assessment area demographic data, and not aggregate data.

The Community Development Test included CDLs, investments, and services for the period of March 23, 2009 through September 10, 2012. Community development investments include qualified grants and donations, as well as qualified equity investments. Community development services have community development as their primary purpose and are generally related to the provision of financial services.

The Bank's delineated assessment area includes portions of New Hampshire and Massachusetts. All of the municipalities are contiguous and are part of the same Metropolitan Statistical Area ("MSA"). The Interstate Banking and Branching Efficiency Act (IBBEA) requires the presentation of separate conclusions and supporting data for CRA performance in each MSA in which a bank has a branch presence. Therefore, separate State ratings were assigned, as well as conclusions for the MSA.

Demographic information utilized in the analyses was obtained from the 2000 United States (U.S.) Census unless otherwise noted. Other financial data was derived from the Bank's Report of Condition and Income (Call Report) as of June 30, 2012.

PERFORMANCE CONTEXT

Description of Institution

Pentucket Bank is a state-chartered, mutual savings bank headquartered in Haverhill, Massachusetts. The Bank currently operates from its main office at One Merrimack Street in Haverhill, Massachusetts, and maintains four additional branches. Two of the branches are also in Haverhill, on Lowell Street and Lincoln Avenue. The main office and the Lowell Street branch are located in moderate-income census tracts. The Lincoln Avenue branch is in a middle-income census tract. The two remaining branches are located in New Hampshire, one in the Town of Salem and the other in the Town of Hampstead. The Salem branch, on North Broadway, is in a middle-income census tract, while the Hampstead branch, on Route 111, is in an upper-income census tract. All of the branches provide 24-hour; free automated teller machine (ATM) usage. In addition, the Bank maintains ATMs in several locations throughout Haverhill, Hampstead, and Salem.

As of June 30, 2012, the Bank had total assets of \$645 million and total deposits of \$550 million. Total loans were \$436 million and represented 67.6 percent of total assets. Since the last CRA evaluation, the Bank's assets grew 23.1 percent. A breakdown of the Bank's loan portfolio is depicted in Table 1.

Table 1		
Loan Distribution as of June 30, 2012		
Loan Type	Dollar Amount \$(000's)	Percent of Total Loans
Construction and Land Development	12,609	2.9
Farmland	30	0.0
Revolving, open-end 1-4 Family Residential	10,625	2.4
1-4 Family Residential (first and second lien)	235,071	53.9
Multi-Family (5 or more) Residential	13,953	3.2
Commercial Real Estate	104,606	23.9
Total Real Estate Loans	376,894	86.3
Farm loans	241	0.1
Commercial and Industrial	58,427	13.4
Consumer	267	0.1
Other Loans	226	0.1
Less: Unearned Income	0	0.0
Total Loans	436,055	100.0

Source: June 30, 2012 Call Report Data

As stated previously, the Bank has recently placed greater emphasis on the origination of commercial loans (both commercial real estate and commercial and industrial); however, as depicted in the Call Report, residential lending represents the majority of the loan portfolio. In fact, residential mortgages, including multi-family loans, represent almost 60 percent of the portfolio. Loans secured by commercial real estate and commercial and industrial loans accounted for approximately 37 percent of the total loan portfolio. Given these percentages and management desire to emphasize commercial loans, equal weight will be given to both portfolios.

There are no apparent financial or legal impediments that would limit the Bank from helping to meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area in which its CRA performance will be evaluated. Generally, an assessment area should consist of MSAs, Metropolitan Divisions (“MDs”), or contiguous political subdivisions, such as counties, cities, or towns. Further, an assessment area should consist of geographies (census tracts) in which the bank has its main office, its branches, and any deposit-taking remote service facilities, as well as geographies in which the bank originated or purchased a substantial portion of its loans. A bank’s assessment area must also consist of whole geographies; may not reflect discriminatory practices; may not arbitrarily exclude low- or moderate-income geographies (taking into account the bank's size and financial condition); and may not extend substantially beyond an MSA boundary or beyond a state boundary, with certain exceptions.

Pentucket Bank’s assessment area includes 17 municipalities, 6 in Massachusetts and 11 in New Hampshire. In Massachusetts, the City of Haverhill, and the Towns of Amesbury, Georgetown, Groveland, Merrimac, and West Newbury (all in Essex County) are within the delineated assessment area. In New Hampshire, the Towns of Atkinson, Hampstead, Kingston, Newton, Plaistow, Salem, Chester, Danville, Derry, Sandown, and Windham, all in Rockingham County, are part of the assessment area. All of these municipalities are within the Boston-Cambridge-Quincy, MA-NH MSA; those in New Hampshire are within the Rockingham County-Strafford County MD, while the MA municipalities are within the Peabody, MA MD.

Table 2 provides pertinent data concerning assessment area demographics.

Table 2 - Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	44	0.0	16.0	63.6	20.4
Population by Geography	217,294	0.0	14.5	63.0	22.5
Owner-Occupied Housing by Geography	58,507	0.0	8.4	65.8	25.8
Business by Geography	15,141	0.0	14.1	61.4	24.5
Family Distribution by Income Level	58,017	15.6	17.1	25.2	42.1
Distribution of Low- and Moderate- Income Families throughout AA Geographies	18,967	0.0	22.7	62.2	15.1
HUD Adjusted Median Family Income for 2012 Peabody, MA MD Rockingham County, NH MD		\$87,300 \$88,800	Median Housing Value		\$175,522
HUD Adjusted Median Family Income for 2011 Peabody, MA MD Rockingham, County, NH MD		\$86,200 \$87,600	Unemployment Rate June 2012 – MSA level		5.4%
Households Below Poverty Level		6.0%			

Source: 2000 US Census

The Bank’s assessment area is comprised of 7 (16.0 percent) moderate-income census tracts, 28 (63.6 percent) middle-income census tracts, and 9 (20.4 percent) upper-income census tracts. There are no low-income census tracts in the assessment area.

A total of 217,294 persons reside in the assessment area. Of the 80,225 households, 20.6 percent are low-income, 16.1 percent moderate-income, 21.3 percent middle-income, and 42.0 percent upper-income. Note that 6.0 percent of the households are below the poverty level within the overall assessment area and 9.5 percent of total households in the Peabody, MA MD are below the poverty level. Of the 86,975 housing units in the area, 70.8 percent are owner-occupied, 25.4 percent are rental units, and 3.8 percent are vacant. Approximately 84.0 percent of housing units are 1-4 family dwellings, with multi-family dwellings making up 13.2 percent, and mobile homes representing 2.8 percent.

The median housing value for the assessment area, based on the 2000 U.S. Census, was \$175,522. Like much of New England, the area's housing prices have decreased slightly in the most recent couple of years. Recent statistics published by the Warren Group show that the area's 2011 median home sales prices in the Massachusetts' towns within the assessment area ranged between a high of \$380,000 in West Newbury to a low of \$190,000 in Haverhill. It should be noted that The Warren Group does not provide the same type of data for New Hampshire.

Pentucket Bank operates in a competitive market in terms of financial services. Aggregate data for 2010 (the most recent data available) revealed 336 lenders originated at least one residential mortgage loan in the Bank's assessment area, Pentucket Bank ranked 15th. Within the City of Haverhill, the Bank ranked 8th. Analysis of the respective market ranks revealed of those financial institutions ranking higher than Pentucket Bank, all were larger, and included mostly regional mortgage companies and national banks.

Numerous businesses operated throughout the assessment area during the evaluation period, with the highest concentration located in the middle-income census tracts. Business demographic data for 2010 revealed 15,141 businesses operated in the assessment area. Of this total, 80.6 percent had gross annual revenues ("GARs") under \$1 million. In 2011, a total of 21,979 businesses operated in the area, with 71.9 percent having GARs under \$1 million.

COMMUNITY CONTACT

Two individuals active in the Bank's community were contacted during the examination. One of these contacts is affiliated with a local government planning agency, and the other is a local elected official. According to the contacts, communication between banks and local government agencies is lacking and micro loans to small businesses appear to be difficult to obtain. Also, the contacts referenced the need for financial literacy education within the assessment area. This type of education and/or training would benefit the area residents and small businesses. Finally, it was noted that active loan pools would also benefit the community so banks can share the inherent risk of some development projects with other entities.

PERFORMANCE CRITERIA

LENDING TEST

LOAN-TO-DEPOSIT RATIO

The Bank's LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The average LTD ratio, at 83.2 percent, was calculated using Call Report data for 14 quarters since the previous FDIC CRA evaluation.

The ratio fluctuated from a high of 89.4 percent as of June 30, 2009, to a low of 77.9 percent as of December 31, 2011. Of the 14 quarters, the ratio increased 8 quarters and decreased 5 quarters, but remained relatively stable. As of June 30, 2012, the LTD ratio measured 78.6 percent. It should be noted that net loans increased approximately 14.5 percent, while deposits increased 21.9 percent, during the evaluation period.

Table 3 – Peer Group Loan-to-Deposit Comparison		
Bank Name	Total Assets \$(000)	LTD Ratio (%) 06/30/12
Newburyport Five Cents Savings Bank	633,496	107.7
Haverhill Bank	292,660	84.4
The Provident Bank	553,110	80.4
Pentucket Bank	645,758	78.6
Institution for Savings	1,384,722	75.3
Lowell Five	810,825	69.0

Source: June 30, 2012 Call Reports

While Pentucket Bank's LTD ratio, of 78.6 percent, was below several similarly situated financial institutions, the overall ratio is considered reasonable. As a mutual bank, Pentucket Bank offers slightly higher deposit rates than its competitors and they continue to attract deposits. Lastly, the lower LTD ratio in 2011 was attributed to the sale of home mortgage loans, totaling approximately \$10 to \$15 million, to the secondary market.

CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

Under this criterion, the Bank's performance in originating loans within its assessment area was evaluated. Based on a review of home mortgage and small business loan data, a majority of the Bank's lending activity occurred inside the institution's assessment area during the evaluation period.

Although both the number and dollar volume of the Bank's loans were reviewed, the number of loans was weighed more heavily than the dollar volume, as higher dollar loans could skew the overall analysis. Table 4 details the distribution of loans both inside and outside the assessment area.

Table 4 Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
2010										
Home Purchase	64	31.4	25	35.2	89	13,861	36.4	4,379	27.2	18,240
Refinance	103	50.5	39	55.0	142	19,568	51.4	10,855	67.5	30,423
Home Improvement	37	18.1	7	9.8	44	4,669	12.2	843	5.3	5,512
Total	204	74.2	71	25.8	275	38,098	70.3	16,077	29.7	54,175
2011										
Home Purchase	37	21.4	21	36.2	58	7,906	63.0	4,641	37.0	12,547
Refinance	106	61.3	36	62.1	142	17,443	68.3	8,094	31.7	25,537
Home Improvement	30	17.3	1	1.7	31	4,336	92.7	340	7.3	4,676
Total	173	74.9	58	25.1	231	29,685	69.4	13,075	30.6	42,760
Total Home Loans	377	74.5	129	25.5	506	67,783	69.9	29,152	30.1	96,935
Small Business 2010	76	77.6	22	22.4	98	14,460	71.8	5,690	28.2	20,150
Small Business 2011	68	80.0	17	20.0	85	12,176	73.3	4,428	26.7	16,604
Total Small Business Loans	144	78.7	39	21.3	183	26,636	72.5	10,118	27.5	36,754
Grand Total	521	75.6	168	24.4	689	94,419	70.6	39,270	29.4	133,689

Source: 2010 and 2011 HMDA LARs and Bank Business Loan Data

Home Mortgage Loans

The Bank originated 74.5 percent of its residential mortgage loans, by number, and 69.9 percent, by dollar volume, in its assessment area from January 1, 2010 through December 31, 2011. The total number of home mortgage loans in 2011 decreased due to the dip in home purchase demand brought on by deteriorating economic conditions. Bank management noted that, in general, applications for new home mortgage loans decreased while refinancing transactions remained steady as homeowners refinanced to lower the terms and rates of their mortgages.

As noted previously, the Bank operates in an extremely competitive lending environment, with 336 financial institutions originating at least one loan in the assessment area. As previously referenced, Pentucket Bank achieved a market rank (in 2010) of 15th. Larger national lenders, with over 24 percent of the assessment area market share, include: Bank of America, N.A.; Wells Fargo Bank, NA; and JPMorgan Chase Bank, NA. Pentucket Bank is the top local lender within the assessment area.

Small Business Loans

Overall, the Bank originated 78.7 percent, by number, of its small business loans, and 72.5 percent, by dollar volume, in its assessment area. Although the number of small business loans decreased from 2010 to 2011, the Bank continues to place greater emphasis on the origination of commercial loans, and particularly small business loans. According to management, the decline in small business loans from 2010 to 2011 was the result of small business owners being hesitant to apply for new credit given the slow economy and questionable viability of their businesses future. Overall, given the competitive nature of the assessment area and the economic concerns, the Bank's performance in originating small business loans within the assessment area is considered reasonable.

DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The distribution of loans by borrower income level and GAR of the businesses was reviewed to determine the extent to which the Bank is meeting the credit needs of the area's residents and small businesses. Overall, the distribution of loans borrowers reflects, given the demographics of the assessment area and noted competition, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Home Mortgage Loans

Table 5 depicts the distribution of HMDA loans by borrower income level and also shows the percentage of families within the area.

Table 5 – Distribution of Home Mortgage Loans by Borrower Income Level						
Income Level	% of Total Families	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank 2011	
			#	%	#	%
Low	15.6	5.2	23	11.3	21	12.1
Moderate	17.1	18.6	44	21.6	41	23.7
Middle	25.2	24.7	55	26.9	42	24.3
Upper	42.1	35.3	74	36.3	62	35.8
NA (*)		16.2	8	3.9	7	4.1
Total	100.0	100.0	204	100.0	173	100.0

Source: 2010 and 2011 HMDA LAR, 2010 Aggregate and 2000 U.S. Census

*NA represents loans to borrowers in which income information was not available

Overall, the Bank's lending to low- and moderate-income borrowers is considered excellent. The Bank outperformed the aggregate in both categories. While the Bank's percentage of loans to low-income borrowers, at 11.3 percent in 2010, and 12.1 percent in 2011, is below the percentage of low-income families, it should be noted the Bank's performance is still considered quite good when considering the cost of housing in the area, and the impact this cost has on low-income borrowers attempting to qualify for, and purchase a dwelling. Additionally, it should be further noted the percentage of families living at or below the poverty level (6.0 percent) also contributes to the Bank's ability to originate loans to low-income individuals and families. In 2010, the Bank's percentage of loans to moderate-income borrowers, at 21.6 percent, exceeded the percentage of moderate-income families, at 17.1 percent. The percentage increased from 2010 to 2011. It should be further noted that lending to both low- and moderate-income borrowers was particularly strong in the refinance category. In 2010, the Bank's percentage of refinance loans to low-income borrowers was 23.3 percent which exceeded the aggregate at 15.3 percent.

In 2010, over 200 lenders originated at least one loan to either a low- or moderate-income borrower within the assessment area, with Pentucket Bank achieving a market rank of 9th to low-income borrowers and 13th to moderate-income borrowers. Again, Pentucket Bank was the top local lender within the assessment area in lending to both low- and moderate-income individuals. These ranks further support the Bank's performance under this criterion.

Given the highly competitive lending environment, market ranks, and ability to exceed the aggregate percentages to low- and moderate-income borrowers, the Bank's performance is considered excellent.

Small Business Loans

Table 6 details the Bank's distribution of small business loans during the evaluation period.

Table 6 – Distribution of Small Business Loans by Revenues						
GAR \$(000s)	% of Total Businesses (2010)	Bank 2010		% of Total Businesses (2011)	Bank 2011	
		#	%		#	%
≤ \$1,000	80.7	53	69.7	71.9	33	48.5
> \$1,000	4.9	23	30.3	3.4	33	48.5
Not Reported	14.4	0	0	24.7	2	3.0
Total	100.0	76	100.0	100.0	68	100.0

Source: Bank Records – Small Business Data (2010, 2011); D&B 2010 and 2011 Business Data

Overall, the Bank displayed a reasonable penetration of loans to the area's small businesses. The Bank's percentage of lending to businesses with GARs of \$1 million or less was 69.7 percent in 2010 and declined to 48.5 percent in 2011. In both years the Bank's percentage was less than the percentage of small businesses in the assessment area, at 80.7 percent and 69.7 percent, respectively.

As management noted, during the evaluation period, small to mid-sized businesses were reluctant to obtain additional credit due to the uncertainty of their businesses future. Therefore, the overall level of applications received at the Bank declined.

The analysis of the Bank's small business lending performance was also conducted by loan size, as the size of the loan is used as a proxy for the size of the business being served by the institution. Table 7 indicates that, in 2010, of the 76 loans originated within the assessment area, 61 (80.2 percent) were made in amounts less than or equal to \$250,000. In 2011, the Bank originated 77.9 percent of its loans in amounts of \$250,000 or less, indicating a steady performance over the evaluation period. Given this information, the Bank is doing a reasonable job of serving the credit needs of the small businesses within its assessment area.

Table 7 Distribution of Small Business Loans by Loan Size				
Loan Size (000s)	2010		2011	
	#	%	#	%
≤ \$100	34	44.7	37	54.4
≤ \$250	27	35.5	16	23.5
< \$1,000	15	19.8	15	22.1
Total	76	100.0	68	100.0

Source: 2010 and 2011 Bank Data

GEOGRAPHIC DISTRIBUTION

Overall, the Bank achieved an excellent dispersion of home and small business loans throughout its assessment area when compared to demographic information and aggregate lending data.

Home Mortgage Loans

The Bank's residential lending throughout the assessment area, with emphasis on moderate-income census tracts, reflects an excellent dispersion. Table 8 highlights the distribution of HMDA loans by census tract income. As noted previously, there are no low-income census tracts in the assessment area.

Table 8 – Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank 2011	
			#	%	#	%
Moderate	8.4	7.0	17	8.3	16	9.3
Middle	65.8	61.6	137	67.2	122	70.5
Upper	25.8	31.4	50	24.5	35	20.2
Total	100.0	100.0	204	100.0	173	100.0

Source: 2010 Aggregate, 2000 U.S. Census, and 2010 and 2011 HMDA Data

As reflected in Table 8, of the 204 loans originated within the assessment area in 2010, 8.3 percent were in the Bank's moderate-income geographies. This percentage exceeds the aggregate performance, at 6.6 percent and is in line with the percentage of owner-occupied housing units at 8.4 percent.

The Bank's loan data for 2011 indicates a consistent percentage of lending among the assessment area's census tracts. Although the Bank made one fewer loan within the moderate-income census tracts, the percentage represents an increase in performance and is consistent with the overall decrease in loans made. Given the economic conditions experienced during the evaluation period, this performance is considered quite good.

In 2010, the Bank ranked 8th out of 124 lenders that originated at least one home mortgage loan in the assessment area's moderate-income census tracts. No other local banks ranked higher than Pentucket Bank.

Overall, given the Bank's ability to outperform the aggregate in the moderate-income tracts, as well as its market rank, and improving trend (percentage from 2010 to 2011), the geographic distribution of residential loans reflects an excellent dispersion throughout the assessment area.

Small Business Loans

Table 9 reflects the distribution of small business loans by census tract income level. The percentages of businesses located within each census tract income category are also included for comparison purposes. The Bank's performance is considered excellent.

Table 9 – Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Businesses (2010)	Bank 2010		% of Total Businesses (2011)	Bank 2011	
		#	%		#	%
Moderate	13.4	17	22.4	12.7	16	23.6
Middle	60.9	41	53.9	61.1	43	63.2
Upper	25.7	18	23.7	26.2	9	13.2
Total	100.0	76	100.0	100.0	68	100.0

Source: Bank Records – Small Business Data (2010, 2011); D&B 2010 and 2011 Business Data

As noted in Table 9, the Bank originated 22.4 percent and 23.6 percent of its loans in moderate-income geographies in 2010 and 2011, respectively. This performance exceeds the percentage of businesses operating in these tracts, at 13.4 and 12.7 percent. As reflected in these percentages, Pentucket Bank has been able to achieve a certain level of consistency within the moderate-income tracts. Given the competitive lending environment, the Bank's performance is considered excellent.

RESPONSE TO CONSUMER COMPLAINTS

A review of FDIC and Division records, as well as the public file maintained by the Bank, revealed no complaints. The Bank maintains informal (i.e., non-written) procedures in the event a complaint is received.

COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates the Bank's responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area(s). Unless otherwise noted, for purposes of this evaluation the period used for the Community Development Test is March 23, 2009 through September 10, 2012.

Community Development purposes include those that either: 1) provide affordable housing for low- or moderate- income individuals or areas; 2) provide community services targeting low- or moderate-income individuals or areas; 3) promote economic development by financing small businesses; 4) revitalize or stabilize low- or moderate- income geographies; or 5) fund neighborhood stabilization projects.

Overall, the Bank's Community Development performance demonstrated a reasonable responsiveness to the needs of its assessment area through its CDIs, qualified investments and donations, and community development services.

Community Development Loans

For the purpose of this evaluation, a CDL is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

Pentucket Bank originated five CDLs totaling approximately \$5.85 million since the previous examination, dated March 23, 2009. The loans represent approximately 0.91 percent of total assets and 1.3 percent of total loans. The Bank's level of CDLs is considered reasonable. The following is a summary of the Bank's CDL activity.

- Pentucket Bank participated with another institution in a construction loan for an affordable housing project in Haverhill through the Planning Office for Urban Affairs. This project redeveloped two connected, vacant mill buildings into a 57-unit mixed-income, mixed-use development. The project consists of 33 units which are Low-Income Housing Tax Credit (LIHTC) restricted and 19 units restricted to 80 percent of area median income. Of the \$1 million in total funding, \$912,300, or 91.23 percent, qualifies as affordable housing.
- During the review period the Bank originated two affordable housing multi-family loans. The loans are considered qualified because their rents are considered affordable, as defined by the U.S. Department of Housing and Urban Development (HUD), and benefit low- or moderate-income individuals or families. Table 10 details the two loans.

Table 10- Multi-Family Loans				
Origination Date	Amount	Number of Units	Range of Rents	Census Tract
4/29/2009	\$3,419,000	95	\$475 - \$1,200	Moderate
5/11/2009	\$1,200,000	40	\$299 - \$1,230	Upper
Total	\$4,619,000	135		

Source: Internal Bank Records from March 23, 2009 through September 10, 2012

- Pentucket Bank granted a construction loan totaling \$120,000 to a non-profit organization located in Lawrence, Massachusetts. The funds for this loan were used for the construction of an affordable housing duplex targeted towards low-income first-time homebuyers. The Bank also extended a \$200,000 line of credit to the organization to finance the purchase of existing homes to be rehabbed for the same purpose. Although Lawrence is outside of the Bank's assessment area, the loans are located within the MSA in which the Bank's assessment area is located. The City of Lawrence contains numerous low- and moderate-income census tracts and is considered one of the cities within the state with the greatest need of community development.

Community Development Investments

A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

During the evaluation period, Pentucket Bank had approximately \$352,745 in new qualified investments and donations. This dollar amount includes equity investments of approximately \$262,000 and qualified donations and grants of \$90,745. Additionally, the Bank continues to hold \$1.5 million in qualified investments. The Bank's total qualified equity investments, including investments from a previous evaluation period, represent approximately 1.1 percent of the Bank's total securities portfolio as of June 30, 2012. During the prior evaluation period, the Bank had approximately \$2.3 million in qualified investments and donations in its assessment area. Overall, the level of qualified investments and donations is reasonable.

Qualified Equity Investments

The following is a summary of the Bank's qualified equity investments.

- In 2009, Pentucket Bank made a \$250,000 investment in the Equity Equivalent (EQ2) New Hampshire Community Loan Fund (NHCLF). The mission of the NHCLF is to create and preserve affordable housing and to foster economic opportunity for individuals and groups of low- and moderate-incomes, promote the development of community based housing organizations, and to assist traditionally underserved people in meeting their own economic needs. The EQ2 is a capital product for community development financial institutions (CDFIs) which allows them increase lending and investing in economically disadvantaged communities.
- The Bank contributed \$12,000 to the Pentucket Bank Loan Investment Fund (PBLIF) in 2011. The PBLIF was established by the Bank to assist small businesses participating in the Massachusetts Capital Access Program (MASSCAP). MASSCAP is administered by the Massachusetts Business Development Corporation, and assists banks in making loans to small business owners that may not have access to typical bank financing. There is a significant fee for enrolling in the program that the Bank pays on the borrower's behalf. In 2007, the Bank also began participating in the New Hampshire Business Finance Authority Capital Access Program, which is similar to MASSCAP.
- Pentucket Bank continues to hold an investment in the Access Capital Strategies Community Investment Fund. This fund is structured as a Business Development Company and its investment objective is to invest in geographically specific placement debt securities. The fund's economic objective is to act as a source of long-term, fixed-rate capital for low- or moderate-income individuals. These private placement debt securities are specifically designed to support affordable housing, education, small business lending, and other job-creating investments. The current book value of the fund is \$1.5 million.

Qualified Charitable Donations

The remainder of the Bank's qualified investments consists of charitable grants and donations. These contributions were made to organizations that provide financial education, affordable housing, health and human services, and small business development. The majority of the organizations serve low- or moderate-income individuals and families.

Since the prior evaluation, the Bank granted \$488,990 in charitable donations to community organizations, of which \$90,745, or 18.6 percent, was considered qualified. The qualified donation totals were \$12,750 in 2009, \$27,930 in 2010, \$33,145 in 2011, and \$16,920 in YTD

2012. For each of these years the qualified donations, as a percentage of total donations, were 11.5 percent, 19.0 percent, 31.2 percent, and 13.6 percent, respectively.

In December 2011, the Bank made an initial donation to the Pentucket Charitable Foundation. This donation was for \$100,000. As of the September 10, 2012, no donations have been made on behalf of the Pentucket Charitable Foundation.

Table 11 contains details regarding qualified community development grants and donations.

Table 11										
Qualified Community Development Grants & Donations										
Community Development Category*	2009		2010		2011		2012		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Affordable Housing for Low- and Moderate-Income Individuals	1	250	4	8,000	2	2,800	4	3,050	11	14,100
Community Services Targeted to Low- and Moderate-Income Individuals	7	12,300	12	18,930	11	23,095	10	13,870	40	68,195
Activities that Promote Economic Development	1	200	1	1,000	3	7,250	0	0	5	8,450
Total	9	12,750	17	27,930	16	33,145	14	16,920	56	90,745
Pre-Tax Net Operating Income (NOI)	\$1,283,000		\$4,562,000		\$4,582,000		\$2,473,000			
Donations/Pre-Tax NOI	0.99		0.61		0.72		0.68			

Source: Internal Bank Records from March 23, 2009 through September 10, 2012

The Bank made 56 qualified donations. Qualified donations as a percent of pre-tax net operating income (NOI) was 0.99 percent, 0.61 percent, 0.72 percent, and 0.68 percent for 2009, 2010, 2011 and YTD 2012 (through June 30, 2012), respectively.

The following is a sample of the organizations that benefited from the Bank's contributions.

Merrimack Valley Small Business Center Microloan Fund - This organization targets low- and moderate-income clients who lack access to conventional credit but who have the capacity to achieve small business ownership. The fund will make loans up to \$5,000 to small businesses that meet the low- and moderate-income criteria.

Rebuilding Together – This is a non-profit organization that renovates the homes of low-income individuals and facilities owned by non-profit organizations. These services are provided at no charge to the recipients. The agency's initiatives focus on providing safety, security, and independence to their recipients, while preserving home ownership and reducing the risk of homelessness. Rebuilding Together works in partnership with the community, volunteers, and skilled laborers.

Bread & Roses – Bread and Roses Housing, Inc. was founded in 1988 to create alternative homeownership opportunities for low- and moderate-income families. The agency acquires vacant lots or distressed properties, builds homes, and makes them available to families through a community land trust.

Emmaus Inc – A community-based non-profit corporation founded in 1985 to provide housing and services to homeless adults and families in Haverhill. The agencies services' include permanent affordable housing, emergency shelter, meals, housing search, as well as a host of other services.

Elder Services of Merrimack Valley, Inc - This private, non-profit agency assists low- and moderate-income seniors who reside in the 23 cities and towns comprising the Merrimack Valley. The agency helps seniors obtain services such as food stamps, healthcare, and other services to help them maintain an independent lifestyle. This agency is federally designated as the Area Agency on Aging and manages the State Home Care Program.

Qualified Community Development Services

The CRA regulation defines a community development service as having community development as its primary purpose and is related to the provision of financial services. Detailed below is a summary of the Bank's qualified community development services. It is noted that Bank officers and employees volunteer a relatively high amount of time and expertise to these community organizations.

Involvement in Community Organizations

In addition to some of the above mentioned organizations to which the Bank made contributions, the following is a summary of the qualified organizations in which Bank management and employees are also involved.

Merrimack Valley Small Business Center Microloan Fund - This organization targets low- and moderate-income clients who lack access to conventional credit but who have the capacity to achieve small business ownership. The fund will make loans up to \$5,000 to small businesses that meet the low- and moderate-income criteria. A commercial loan portfolio manager serves on this organization's loan committee.

Greater Haverhill Foundation - This group was founded by several local business leaders to attract new small businesses and assist existing small businesses wishing to expand their operations in the Haverhill area. The Chief Executive Officer of the Bank serves as the Vice President and a Board member. The Bank's Vice President of Commercial Lending is a Board member, Assistant Treasurer, member of the Audit Committee and member of the Loan Committee.

Bethany Community Services - This organization provides housing and supportive services to low- and moderate-income seniors living in the Greater Haverhill area. The organization has three primary housing facilities with various rental options such as section 8 and other subsidies. A Senior Vice President of Commercial Lending is a Board member and sits on the Finance Committee.

Community Action, Inc. of Haverhill – This organization is an anti-poverty agency that offers a broad range of social programs and services to assist low- and moderate-income families. The Bank's Chief Operating Officer serves as a Board member of this organization. The Bank's Senior Vice President of Customer Support sits on the Development Board.

Financial Education

Pentucket Bank continues to offer the 'Savings Makes Sense' school savings program in Haverhill. The Bank's employees serve as teachers and presenters at the schools and also take the students on a tour of the Bank's main office.

STATE RATING - MASSACHUSETTS

CRA RATING FOR MASSACHUSETTS: *“High Satisfactory” by the Division and “Satisfactory” by the FDIC*

The Lending Test is rated: *“High Satisfactory” by the Division and “Satisfactory” by the FDIC*

The Community Development Test is rated: *“High Satisfactory” by the Division and “Satisfactory” by the FDIC*

SCOPE OF EXAMINATION

Please refer to the overall *Scope of Examination* for additional information.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN *Massachusetts*:

Pentucket Bank is headquartered in Haverhill and maintains two branches and the main office in Haverhill, all within moderate-income census tracts. In addition to Haverhill, the Massachusetts assessment area also includes Amesbury, Georgetown, Groveland, Merrimac, and West Newbury. Please refer to the overall *Description of the Institution* and *Description of the Assessment Areas* for additional information about the institution and the demographics of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *Massachusetts*:

LENDING TEST

Overall, Pentucket Bank is meeting the credit needs of its Massachusetts assessment area, given its asset size and the opportunities that exist in the area. The Bank’s level of home mortgage and small business lending in Massachusetts is reasonable.

LOAN-TO-DEPOSIT RATIO

The Bank’s LTD ratio in Massachusetts, as of June 30, 2012, was 58.1 percent and is considered reasonable given the size and complexity of the institution.

CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

The Bank originated a majority of its loans within its Massachusetts assessment area. A review of the Bank’s overall lending revealed 521 loans (residential and small business) inside the Bank’s assessment area. Pentucket originated 307 loans, or 58.9 percent, in the Massachusetts assessment area.

Similar to the overall assessment area, the Massachusetts area is also highly competitive. In 2010, 268 different lenders originated at least one residential loan in the area, with Pentucket achieving a market rank of 10th.

Given the percentage of loans made in the Massachusetts assessment area, the demographic and economic constraints present within the evaluation period, and the market rank achieved in 2010, the Bank's performance is considered reasonable.

GEOGRAPHIC DISTRIBUTION

Overall, the percentage of loans in the assessment area, within emphasis on the moderate-income census tracts, reflects an excellent dispersion throughout the assessment area.

Home Mortgage Loans

Table 12 – Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank 2011	
			#	%	#	%
Moderate	11.7	10.4	15	12.9	16	13.4
Middle	78.5	75.6	99	85.3	100	83.3
Upper	9.8	14.0	2	1.8	4	3.3
Total	100.0	100.0	116	100.0	120	100.0

Source: 2010 Aggregate, 2000 US Census & 2010 and 2011 HMDA Data

The assessment area has no low-income census tracts and the moderate-income census tracts are within Haverhill. In 2010, within the assessment area's moderate-income census tracts, the Bank's performance exceeded the aggregate and the Bank increased its lending activity from 2010 to 2011.

The distribution of the Bank's lending activity compares favorably to the performance of the aggregate market in the moderate-income census tracts. Additionally, the Bank ranked 7th in lending within the area's moderate-income census tracts. Given the competitive nature of the assessment area, this performance is considered quite good.

Small Business Loans

Table 13 – Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Businesses (2010)	Bank 2010		% of Total Businesses (2011)	Bank 2011	
		#	%		#	%
Moderate	20.8	17	43.6	19.7	12	37.5
Middle	68.7	21	53.8	69.7	20	62.5
Upper	10.5	1	2.6	10.6	0	0
Total	100.0	39	100.0	100.0	32	100.0

Source: 2010 and 2011 Bank Business Loan Data and 2010 and 2011 Dun & Bradstreet data

Although the level of lending decreased from 2010 to 2011 the performance in each year exceeded the percentage of total businesses in the moderate-income census tracts. This reflects an excellent dispersion.

DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

Overall, the Bank's distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Home Mortgage Loans

Table 14 – Distribution of Home Mortgage Loans by Borrower Income Level						
Income Level	% of Total Families	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank 2011	
			#	%	#	%
Low	18.7	4.9	16	13.8	18	15.0
Moderate	17.3	18.7	23	19.8	29	24.2
Middle	24.7	23.7	29	25.0	34	28.3
Upper	39.3	36.2	42	36.2	36	30.0
NA (*)		16.5	6	5.2	3	2.5
Total	100.0	100.0	116	100.0	120	100.0

Source: 2000 U.S. Census, 2010 and 2011 HMDA LARs

*NA represents loans to borrowers in which income information was not available

The Bank's lending to low-income borrowers greatly exceeded the aggregate percentage in 2010. Similarly the lending to moderate-income borrowers also exceeded the aggregate. The Bank was also able to increase the total number of loans to low- and moderate-income borrowers from 2010 to 2011. Given the competitive nature of the assessment area and certain economic constraints, including the cost of housing, the Bank's performance is considered excellent.

Conclusions under this criterion were influenced by the high percentage of low-income households below the poverty level (9.8 percent). This demographic data lends support to the claim it is difficult for low-income individuals, particularly those below the poverty level, to qualify for a conventional mortgage.

Small Business Loans

Table 15 – Distribution of Small Business Loans by Revenues						
GAR \$(000s)	% of Total Businesses (2010)	Bank 2010		% of Total Businesses (2011)	Bank 2011	
		#	%		#	%
≤ \$1,000	80.5	31	79.5	70.5	20	62.5
> \$1,000	5.3	8	20.5	3.6	10	31.3
Not Reported	14.2	0	0.0	25.9	2	6.2
Total	100.0	39	100.0	100.0	32	100

Source: 2010 and 2011 Bank Data, D&B 2010 and 2011 Business Data

Table 16				
Distribution of Small Business Loans by Loan Size				
Loan Size (000s)	2010		2011	
	#	%	#	%
≤ \$100	19	48.7	18	56.2
≤ \$250	13	33.3	7	21.9
< \$1,000	7	18.0	7	21.9
Total	39	100.0	32	100.0

Source: 2010 and 2011 Bank Data

As noted in Table 15, the Bank's percentage of lending to businesses with GARs of \$1 million or less was in line with the percentage of total businesses in 2010 and slightly less than the percentage of total businesses in 2011. Table 16 demonstrates the majority of loans are made in amounts less than or equal to \$250,000. Overall, the Bank's performance in making loans to small businesses is considered reasonable.

RESPONSE TO CONSUMER COMPLAINTS

The Bank received no complaints during the review period.

COMMUNITY DEVELOPMENT TEST

Pentucket Bank's community development performance demonstrated good responsiveness to the community development needs of its Massachusetts area during the evaluation period. The Bank met these community development needs by providing qualified loans, donation and equity investments, and community development services.

Community Development Loans

Pentucket Bank made a good level of CDLs during the evaluation period by originating two loans totaling approximately \$4.3 million in the Massachusetts assessment area. Please note the Bank also made two additional CDLs in Lawrence. Please refer to the overall discussion of CDLs for additional information.

Community Development Investments

Pentucket Bank made a \$12,000 investment in a fund that services both the Massachusetts and New Hampshire assessment areas.

The Bank made an adequate level of community development donations totaling \$79,812, or 87.9 percent, of qualified donations in the Massachusetts portion of the assessment area. It should be noted that certain Bank donations benefit both states.

Please refer to the Bank's overall performance for additional information.

Community Development Services

Pentucket Bank provided a good level of community development services in the Massachusetts assessment area. Please refer to the Bank's overall performance for additional information.

STATE RATING – NEW HAMPSHIRE

CRA RATING FOR NEW HAMPSHIRE:
The Lending Test is rated:
The Community Development Test is rated:

“Satisfactory” by Division and FDIC
“Satisfactory” by Division and FDIC
“Satisfactory” by Division and FDIC

SCOPE OF EXAMINATION

Please refer to the overall *Scope of Examination* for additional information.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN *New Hampshire*:

Pentucket Bank maintains two branches within the State, one in Salem and one in Hampstead. Each of these branches is located within a middle-income census tract. The New Hampshire assessment area also includes the following municipalities: Atkinson, Chester, Danville, Derry, Kingston, Newton, Plaistow, Sandown, and Windham. It is noted that, of the six census tracts in Derry, two are moderate-income. There are no low-income census tracts in the assessment area.

Please refer to the overall *Description of the Institution* and *Description of the Assessment Areas* for additional information about the institution and the demographics of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *New Hampshire*:

LENDING TEST

Overall, Pentucket Bank is meeting the credit needs of its New Hampshire assessment area, given its asset size, branch network, and the opportunities that exist in the area. The Bank’s level of home mortgage and small business lending in New Hampshire is generally adequate.

LOAN-TO-DEPOSIT RATIO

The Bank’s LTD ratio in New Hampshire, as of June 30, 2012, was 131.9 percent and is considered more than reasonable.

CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

Overall, Pentucket’s lending activity in the New Hampshire assessment area is considered reasonable. The Bank originated 214 loans in the New Hampshire assessment area. The Bank’s residential performance is somewhat limited, and is attributed to the Bank’s main office presence in Massachusetts. However, the institution’s small business percentage is adequate and reflective of the Bank’s recent emphasis on commercial loans and serving the needs of small businesses.

Similar to the overall performance and the Massachusetts assessment area, the New Hampshire assessment area is also very competitive. In 2010, 270 lenders originated at least one residential loan in the area, with Pentucket ranked 24th.

Given the volume of loans made in the New Hampshire assessment area, the demographic and economic constraints present within the evaluation period, and the market rank achieved in 2010, the Bank's performance is considered reasonable.

GEOGRAPHIC DISTRIBUTION

Overall, the geographic distribution of loans reflects a reasonable dispersion within the assessment area's moderate-income census tracts.

Home Mortgage Loans

Overall, the Bank's home mortgage lending performance is considered reasonable, highlighted by the Bank's 2010 performance. The Bank exceeded the aggregate performance in both the middle- and upper-income tracts and maintained an acceptable percentage in the moderate-income tracts. The decline in loan volume in 2011 was attributed to competition and economic conditions. Despite these influences, the lack of loans in the moderate-income tracts (2011) is a concern, and considered less than reasonable.

Table 17 – Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank 2011	
			#	%	#	%
Moderate	5.8	4.3	2	2.3	0	0
Middle	56.3	49.9	38	43.2	22	41.5
Upper	37.9	45.8	48	54.5	31	58.5
Total	100.0	100.0	88	100.0	53	100.0

Source: 2010 Aggregate, 2000 US Census & 2010 and 2011 HMDA Data

Small Business Loans

Table 18 – Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Businesses (2010)	Bank 2010		% of Total Businesses (2011)	Bank 2011	
		#	%		#	%
Moderate	9.2	0	0	9.2	4	11.1
Middle	54.9	20	54.1	54.9	23	63.9
Upper	35.9	17	45.9	35.9	9	25.0
Total	100.0	37	100.0	100.0	36	100.0

Source: 2010 and 2011 Bank Business Loan Data and 2010 & 2011 D&B data

Overall, the level of small business lending is considered reasonable. The Bank's performance within the area's middle- and upper-income tracts compared reasonably to the percentage of businesses operating in those areas in both 2010 and 2011. The lack of loans in the moderate-income tracts (in 2010) is a reflection on competition and lack of branch presence in the moderate-income tracts; however, the improvement in 2011 is considered positive, and is a reflection on management's recent emphasis on commercial loans.

DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

Overall, the Bank's performance reflects reasonable penetration to borrowers of different incomes and businesses of different sizes.

Home Mortgage Loans

Table 19 – Distribution of Home Mortgage Loans by Borrower Income Level						
Income Level	% of Total Families	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank 2011	
			#	%	#	%
Low	13.2	5.5	7	7.9	3	5.7
Moderate	16.8	18.5	21	23.9	12	22.6
Middle	25.6	25.5	26	29.6	8	15.1
Upper	44.4	34.6	32	36.4	26	49.1
NA (*)		15.9	2	2.2	4	7.5
Total	100.0	100.0	88	100.0	53	100.0

Source: 2000 US Census, 2010 and 2011 HMDA LARs

*NA represents loans to borrowers in which income information was not available

The Bank's performance in 2010 was considered more than reasonable, as Pentucket exceeded the aggregate in each borrower category. While there is no ability to compare the Bank's performance to the aggregate in 2011, the Bank experienced a drop in loan volume across the board. The decline was influenced by competition and general economic conditions. Despite the decline, the Bank's 2011 performance is considered reasonable.

Small Business Loans

The Bank's level of lending to small businesses is considered reasonable.

Table 20 – Distribution of Small Business Loans by Revenues						
GAR \$(000s)	% of Total Businesses (2010)	Bank 2010		% of Total Businesses (2011)	Bank 2011	
		#	%		#	%
≤ \$1,000	80.7	22	59.5	72.8	13	36.1
> \$1,000	4.7	15	40.5	3.3	23	63.9
Not Reported	14.6	0	0.0	23.9	0	0.0
Total	100.0	37	100.0	100.0	36	100.0

Source: 2010 and 2011 Bank Data, D&B 2010 and 2011 Business Data

Table 21 - Distribution of Small Business Loans by Loan Size				
Loan Size (000s)	2010		2011	
	#	%	#	%
≤ \$100	15	40.6	19	52.8
≤ \$250	14	37.8	9	25.0
< \$1,000	8	21.6	8	22.2
Total	37	100.0	36	100.0

Source: 2010 and 2011 Bank Data

As noted in Table 20 the Bank's percentage of lending to businesses with GARs of \$1 million or less was lower than the percentage of total businesses in 2010 and 2011. The Bank also experienced a decline from 2010 to 2011. The decline, as mentioned previously, was attributed to the uncertain economic conditions in the assessment area.

Further analysis of the Bank's small business loan activity, by dollar amount, revealed that the majority of the loans were made in amounts less than \$250,000, which indicates the Bank's support for the area's small businesses. Again, the Bank's performance was considered reasonable.

RESPONSE TO CONSUMER COMPLAINTS

The Bank received no CRA related complaints during the review period.

COMMUNITY DEVELOPMENT TEST

Pentucket Bank's community development performance demonstrated a reasonable responsiveness to the needs of its New Hampshire assessment area. The Bank met these community development needs by providing CDLs, qualified donations and equity investments, and community development services.

Community Development Loans

Pentucket Bank made one loan, totaling \$1.2 million in the New Hampshire portion of the assessment area. The loan provided affordable housing. Please refer to the overall discussion of the CDLs for additional information.

Community Development Investments

Pentucket Bank made a \$250,000 equity investment within the New Hampshire portion of the assessment area and a \$12,000 investment in a fund that services both the New Hampshire and Massachusetts areas.

The Bank made qualified grants and donations totaling \$10,933, or 12.1 percent, of total qualified donations in the New Hampshire assessment area. Please refer to the Bank's overall performance for additional information.

Community Development Services

Pentucket Bank provided an adequate level of community development services in the New Hampshire assessment area. Please refer to the Bank's overall performance for additional information.

METROPOLITAN AREAS

DESCRIPTION OF OPERATIONS IN THE BOSTON-CAMBRIDGE-QUINCY, MA-NH METROPOLITAN STATISTICAL AREA (MSA):

Pentucket Bank operates all of their Massachusetts and New Hampshire offices in the Boston-Cambridge-Quincy, MA-NH MSA. The products and services offered in the MSA are the same as those offered throughout the Bank's assessment area as a whole.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE BOSTON-CAMBRIDGE-QUINCY, MA-NH MSA:

The CRA performance in the MSA is consistent with the Bank's overall performance. Please refer to the *Conclusions with Respect to Performance Criteria* section of this CRA Public Disclosure for information concerning the Bank's operations and lending performance within the MSA.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices was identified inconsistent with helping to meet community credit needs.

APPENDIX A

Fair Lending Policies and Procedures

Pentucket Bank's fair lending performance was reviewed to determine compliance with the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. A review of the public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to check for fair lending issues. There was no evidence of disparate treatment in the file review.

All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues. This includes information regarding both technical requirements that come into play, as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance. The Bank offers counseling, if necessary, for borrowers who need financial assistance.

The Bank's second review practice consists of a look at all applications that have been denied. The Second Look Committee reviews all loan applications that were not recommended by the loan committee for approval.

MINORITY APPLICATION FLOW

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 228,208 individuals of which 6.3 percent are minorities. The assessment areas minority and ethnic population is 0.8 percent Black/African American, 1.1 percent Asian/Pacific Islander, 0.2 percent American Indian, 3.2 percent Hispanic, and 1.0 percent other.

MINORITY APPLICATION FLOW								
RACE	2010 Bank Data		2010 Aggregate Data		2011 Bank Data		Bank Total	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	1	0.68	25	0.18	0	0	1	0.39
Asian	2	1.37	140	1.01	1	0.92	3	1.18
Black/ African American	0	0	36	0.26	1	0.92	1	0.39
Hawaiian/ Pacific Isl.	0	0	4	0.03	0	0	0	0
2 or more Minority	0	0	0	0	0	0	0	0
Joint Race (White/Minority)	1	0.68	84	0.61	0	0	1	0.39
Total Minority	4	2.74	289	2.09	2	1.83	6	2.35
White	138	94.52	10,808	78.12	102	93.58	240	94.12
Race Not Available	4	2.74	2,738	19.79	5	4.59	9	3.53
Total	146	100.00	13,835	100.00	109	100.00	255	100.00
ETHNICITY								
Hispanic or Latino	1	0.68	134	0.97	0	0	1	0.39
Not Hispanic or Latino	139	95.21	10,764	77.8	104	95.41	243	95.29
Joint (Hisp/Lat / Not Hisp/Lat)	0	0	115	0.83	0	0	0	0.00
Ethnicity Not Available	6	4.11	2,822	20.4	5	4.59	11	4.31
Total	146	100.00	13,835	100.00	109	100.00	255	100.00

Source: 2000 US Census, 2010 and 2011 HMDA LARs

For 2010 and 2011, the Bank received 255 HMDA reportable loan applications from within its assessment area. Of these applications 6 or 2.35 percent were received from minority applications, of which 5 or 83.3 percent resulted in originations. For the same time period, the Bank also received 1 application or 0.39 percent from ethnic groups of Hispanic origin within its assessment area and it resulted in an origination.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2010. The comparison of this data assists in deriving reasonable expectations for the rate applications the Bank received from minority residential loan applications. Refer to the table below for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is considered reasonable.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family

or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at One Merrimack Street, Haverhill, MA 01830."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.